

Company registration number (England and Wales): 01151522

## **KIRLY LIMITED**

***DIRECTORS' REPORT AND FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED 31 DECEMBER 2017***

# KIRLY LIMITED

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# KIRLY LIMITED

## COMPANY INFORMATION

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### COMPANY PERSONNEL

**Directors** M W Johnson  
M A Johnson

### COMPANY ADDRESSES

**Registered office** 11 Luard Road  
Cambridge  
CB2 8PJ

**Auditors** Humphrey & Co Audit Services Ltd  
7 - 9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA

# KIRLY LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

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The directors have pleasure in presenting their report together with the financial statements for the year ended 31 December 2017.

### Directors

The directors who held office at any time during the year are listed below:

M W Johnson

M A Johnson

### Dividends

During the year ended 31 December 2017 the directors of the parent company voted dividends totalling £Nil (2016: £38,861). They do not propose to pay a final dividend.

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations and in accordance with UK Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Humphrey & Co resigned as auditors after the year end and Humphrey & Co Audit Services Ltd were appointed in their place.

### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information (information needed by the group's and company's auditors in connection with preparing their report) of which the auditors of the group and company are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the group and company are aware of that information.

Approved by the Board on 26 September 2018 and signed on its behalf by:

**M W Johnson**  
Director

# KIRLY LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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The directors have pleasure in presenting their strategic report for the year ended 31 December 2017.

### Results and dividends

The profit for the year after taxation was £1,736,655 (2016: profit £2,245,443). Interim dividends of £Nil (2016: £38,861) were paid during the year. The directors do not recommend the payment of a final dividend.

### Principal activities and review of the business

The biggest changes in the year reported in these accounts have been in the profitability of our insurance operations and in the value of our properties. The insurance technical operations show a loss of £455,779 compared to the profit of £217,537 last year. For every £1 we collected in premia we paid £1.17 in claims. When transferring all relevant assets to Paddock St Holdings we sought an arm's length market value of our properties and this is the major element in the increase of £1,054,000 shown in note 15. This figure should be treated with a substantial degree of scepticism as no property value is worth the paper it is written on, until a sale takes place any value is speculative. The insurance losses are unfortunately very much more real and as things stand are likely to be followed by further losses in 2018. Nevertheless the company remains profitable and solvent and we are in a good position to increase our insurance business when the time is right. We remain able and willing to finance development of our properties and expansion of our investment companies when opportunities arise. In particular we have made good progress in our plans for redevelopment of Bolton's Warehouse, and hope to start work on it early in the New Year. Our investment in Pigeon (Sawston) is likely to be realised at a good profit over the coming year. We continue to watch Brexit developments with increasing horror, and have built up our dollar reserves in anticipation of a bumpy ride. The main risks to our continued profitability continue to be significant catastrophe claims, a downturn in the commercial property market, and a fall in the level of the stock market.

Kate Dyer writes about Paddock St Holdings: most of what has happened this year I described in my report to you last year; all Kirly properties are now in one company. In Northampton we have a vacant space in the warehouse but the ancillary offices and even the car park are now producing revenue. In St Neots our sister company Freedom occupies two floors and we hope that Elsie Mae's Electric Coffee Shop will shortly open on the ground floor. In Norwich we have all sites vacant today, save for the car park of number 36, but all were occupied for the whole of last year. We continue to actively market the premises through Bidwells. We hope to put 8 residential units on the Cambridge site, our initial planning application is in.

Alex Axiom: I am pleased to say our insurance and financial operations were on balance profitable during the year. As ever there are uncertainties to report, both as to Brexit, as to increased regulation, and as to the impact of global warming on weather patterns. One thing is certain and that is that Harvey, Irma, and Maria will have cost us dearly in the 2017 underwriting year. We should expect losses of around £500,000 as a result of these hurricanes alone. Not all of this has yet been included in the results of our Lloyd's operations, and we can expect further losses in the current year when we see the full extent of the damage caused by Florence. I recommend shareholders should read the accounts of Freedom and NW Brown, both contributed to our profits in the year. This year for the first time we have consolidated Freedom's results within the current accounts due to our increasing holding. We have encouraged both companies to consider acquisitions to employ their systems and capable staff on a greater scale and if necessary we will provide finance for such expansion. We hope to increase our holding in Freedom if other shareholders decide to sell.

Victoria Montgomery: last year I wrote about a number of rather disappointing ventures on our early-stage equity ventures. It is with much greater pleasure that this year I can report a very successful year from Pigeon where our involvement both in financing and as a partner in various properties has been rewarding, a year of steady if not stellar performance from Life's Kitchen and new investment in Apertus Ltd, a tenant in our Northampton offices who acts as a broker in the electricity and gas markets. Bayfield training has continued to prosper and have begun to repay the financing they have had to date. Other venture investments include Cragrats, Mykindacrowd, Terraseed and Hampden Underwriting but I have nothing of note to report on any of these.

# KIRLY LIMITED

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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### Financial risk management objectives and policies

The group is principally exposed to financial risk through its participation on Lloyd's Syndicates. It has delegated sole management and control of its underwriting through each Syndicate to the Managing Agent of that Syndicate and it looks to the Managing Agents to implement appropriate policies, procedures and internal controls to manage each Syndicate's exposures to insurance risk, credit risk, market risk, liquidity risk and operational risk. The Company is also directly exposed to these risks, but they are not considered material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Hedge accounting is not used by the group.

### Key Performance Indicators

The directors monitor the performance of the group by reference to the following key performance indicators:

	2017	2016
Capacity (youngest underwriting year) (£)	3,452,176	3,441,645
Gross premium written as a % of capacity	101.6 %	101.2 %
Underwriting profit of latest closed year as a % of capacity	- %	9.1 %
Run-off years of account movement (£)	-	-
Combined ratio	117.9 %	94.2 %

The combined ratio is the ratio of net claims incurred, commissions and expenses to net premiums earned.

Approved by the Board on 26 September 2018 and signed on its behalf by:

**M W Johnson**

**Director**

# **KIRLY LIMITED**

## **INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KIRLY LIMITED**

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### **Opinion**

We have audited the financial statements of KIRLY Limited for the year ended 31 December 2017 on pages 7 to 43. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

# KIRLY LIMITED

## INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF KIRLY LIMITED (continued)

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Andrew Robinson (Senior Statutory Auditor)**  
for and on behalf of Humphrey & Co Audit Services Ltd  
Statutory Auditor  
Date:

Humphrey & Co Audit Services Ltd  
7 - 9 The Avenue  
Eastbourne  
East Sussex  
BN21 3YA



# KIRLY LIMITED

## CONSOLIDATED INCOME STATEMENT - TECHNICAL ACCOUNT (GENERAL BUSINESS) FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
Gross premiums written	5	3,505,746	3,482,509
Outward reinsurance premiums		(683,643)	(584,801)
<b>Net premiums written</b>		<b>2,822,103</b>	<b>2,897,708</b>
<b>Change in the provision for unearned premiums</b>			
Gross provision		92,429	(60,058)
Reinsurers' share		8,691	667
Net change in the provision for unearned premiums		<b>101,120</b>	<b>(59,391)</b>
<b>Earned premiums net of reinsurance</b>		<b>2,923,223</b>	<b>2,838,317</b>
Allocated investment income	8	72,737	57,148
<b>Claims paid</b>			
Gross amount		(1,860,377)	(1,580,400)
Reinsurers' share		222,126	227,520
Net claims paid		<b>(1,638,251)</b>	<b>(1,352,880)</b>
<b>Change in provision for claims</b>			
Gross amount		(1,246,097)	(257,037)
Reinsurers' share		648,244	74,338
Net change in provision for claims		<b>(597,853)</b>	<b>(182,699)</b>
<b>Claims incurred net of reinsurance</b>		<b>(2,236,104)</b>	<b>(1,535,579)</b>
Net operating expenses	9	(1,210,651)	(1,139,052)
Investment expenses and charges	8	(4,984)	(3,297)
<b>Balance on technical account for general business</b>		<b>(455,779)</b>	<b>217,537</b>

All amounts above relate to continuing operations.

# KIRLY LIMITED

## CONSOLIDATED INCOME STATEMENT - NON TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Total £	2016 Total £
<b>Balance on the general business technical account</b>		<b>(455,779)</b>	217,537
Investment income	8	1,985,567	2,148,598
Other income	10	783,012	79,396
Other charges		(661,433)	(97,105)
Share of operating profit of associates		-	-
<b>Profit on ordinary activities before taxation</b>	11	<b>1,651,367</b>	2,348,426
Tax on profit on ordinary activities	22	85,288	(102,983)
<b>Profit for the financial year</b>		<b>1,736,655</b>	2,245,443
<b>Profit for the financial year attributable to:</b>			
Non-controlling interests		15,016	-
Owners of the parent company		1,721,639	2,245,443
<b>Profit for the financial year</b>		<b>1,736,655</b>	2,245,443

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2017 £	2016 £
Profit for the financial year from continuing operations		1,736,655	2,245,443
Other comprehensive income		-	-
<b>Profit for the financial year</b>		<b>1,736,655</b>	2,245,443
<b>Total comprehensive income for the year attributable to:</b>			
Non-controlling interests		15,016	-
Owners of the parent company		1,721,639	2,245,443
<b>Profit for the financial year</b>		<b>1,736,655</b>	2,245,443

All amounts above relate to continuing operations.

**KIRLY LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

<b>ASSETS</b>	<b>Note</b>	<b>Syndicate Assets £</b>	<b>Corporate £</b>	<b>2017 Total £</b>	<b>2016 Total £</b>
<b>Fixed assets</b>					
Intangible fixed assets	13	-	307,491	<b>307,491</b>	116,074
Tangible fixed assets	14	-	688,287	<b>688,287</b>	-
Investment properties	15	-	-	-	3,536,000
Fixed asset investments	17	-	4,552,641	<b>4,552,641</b>	4,494,086
Total fixed assets		-	5,548,419	<b>5,548,419</b>	8,146,160
<b>Investments</b>					
Financial investments	16	2,637,634	3,424,528	<b>6,062,162</b>	5,470,403
Deposits with ceding undertakings		381	-	<b>381</b>	363
Total investments		2,638,015	3,424,528	<b>6,062,543</b>	5,470,766
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	7	214,067	-	<b>214,067</b>	227,400
Claims outstanding	7	939,435	-	<b>939,435</b>	551,103
Other technical provisions		622,092	-	<b>622,092</b>	388,338
Total reinsurers' share of technical provisions		1,775,594	-	<b>1,775,594</b>	1,166,841
<b>Debtors</b>					
Arising out of direct insurance operations					
Policyholders	18	59	-	<b>59</b>	51
Intermediaries	18	793,024	-	<b>793,024</b>	799,424
Arising out of reinsurance operations	18	401,574	-	<b>401,574</b>	401,189
Other debtors	19	1,474,004	1,850,764	<b>3,324,768</b>	5,141,196
Total debtors		2,668,661	1,850,764	<b>4,519,425</b>	6,341,860
<b>Other assets</b>					
Stocks	35	-	4,590,000	<b>4,590,000</b>	-
Cash at bank	20	343,949	1,654,542	<b>1,998,491</b>	1,084,994
Other		42,972	-	<b>42,972</b>	39,350
Total other assets		386,921	6,244,542	<b>6,631,463</b>	1,124,344
<b>Prepayments and accrued income</b>					
Accrued interest		4,886	-	<b>4,886</b>	5,313
Deferred acquisition costs	7	464,358	-	<b>464,358</b>	511,194
Other prepayments and accrued income		16,837	57,443	<b>74,280</b>	17,784
Total prepayments and accrued income		486,081	57,443	<b>543,524</b>	534,291
<b>Total assets</b>		<b>7,955,272</b>	<b>17,125,696</b>	<b>25,080,968</b>	<b>22,784,262</b>

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**KIRLY LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)  
AS AT 31 DECEMBER 2017**

	Note	Syndicate Liabilities £	Corporate £	2017 Total £	2016 Total £
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called-up share capital	21	-	1,315	<b>1,315</b>	1,315
Share premium account		-	1,047,515	<b>1,047,515</b>	1,047,515
Revaluation reserve		-	3,499,635	<b>3,499,635</b>	3,895,154
Capital redemption reserve		-	170,119	<b>170,119</b>	170,119
Profit and loss account		(389,304)	9,779,163	<b>9,389,859</b>	7,272,701
<b>Shareholder's funds attributable to equity interests</b>		(389,304)	14,497,747	<b>14,108,443</b>	12,386,804
<b>Non-controlling interest</b>	34	-	(195,436)	<b>(195,436)</b>	936,588
<b>Total equity</b>		(389,304)	14,302,311	<b>13,913,007</b>	13,323,392
<b>Technical provisions</b>					
Provision for unearned premiums	7	1,569,549	-	<b>1,569,549</b>	1,777,853
Claims outstanding - gross amount	7	5,623,900	-	<b>5,623,900</b>	4,661,292
Total technical provisions		7,193,449	-	<b>7,193,449</b>	6,439,145
<b>Provisions for other risks and charges</b>					
Provision for taxation	22	-	184,836	<b>184,836</b>	375,280
<b>Deposits received from reinsurers</b>		20,179	-	<b>20,179</b>	31,089
<b>Creditors due within one year</b>					
Arising out of direct insurance operations		182,815	-	<b>182,815</b>	140,067
Arising out of reinsurance operations		585,596	-	<b>585,596</b>	526,611
Amounts due to credit institutions	26	17,361	-	<b>17,361</b>	-
Other creditors	23	299,389	949,250	<b>1,248,639</b>	1,045,397
Total creditors		1,085,161	949,250	<b>2,034,411</b>	1,712,075
<b>Creditors due after more than one year</b>	24	-	1,531,880	<b>1,531,880</b>	798,880
<b>Accruals and deferred income</b>					
Other accruals and deferred income		45,787	157,419	<b>203,206</b>	104,401
<b>Total liabilities</b>		7,955,272	17,125,696	<b>25,080,968</b>	22,784,262

Approved by the Board on 26 September 2018 and signed on its behalf by:

**M W Johnson**

**Company Registration No. 01151522**

# KIRLY LIMITED

## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 Total £	2016 Total £
<b>Fixed assets</b>			
Tangible assets	14	-	-
Investment Properties	15	-	675,000
Fixed asset investments	17	<b>9,274,700</b>	8,063,936
		<b>9,274,700</b>	8,738,936
<b>Current assets</b>			
Debtors	19	<b>1,754,954</b>	3,636,251
Cash at bank and in hand		<b>628,842</b>	543,363
Financial investments	16	<b>3,136,108</b>	2,381,732
		<b>5,519,904</b>	6,561,346
<b>Creditors: amounts falling due within one year</b>			
Trade creditors	23	(1,610)	(6,651)
Amounts due to associated undertakings	23	(1,551,411)	(3,507,317)
Taxes and social security costs	23	(681)	(32,930)
Director' current account	23	(232,893)	(3,020)
Other creditors	23	(211,097)	(152,000)
Accruals and deferred income		(15,000)	(45,140)
		(2,012,692)	(3,747,058)
<b>Net current assets/(liabilities)</b>		<b>3,507,212</b>	2,814,288
<b>Total assets less current liabilities</b>		<b>12,781,912</b>	11,553,224
<b>Creditors: amounts falling due after more than one year</b>			
	24	(646,880)	(798,880)
<b>Provision for liabilities</b>	22	(18,988)	(53,466)
<b>Net assets</b>		<b>12,116,044</b>	10,700,878
<b>Capital and Reserves</b>			
Called up share capital	21	<b>1,315</b>	1,315
Share premium account		<b>1,047,515</b>	1,047,515
Revaluation reserve		<b>2,768,183</b>	2,229,918
Capital redemption reserve		<b>170,119</b>	170,119
Profit and loss account		<b>8,128,912</b>	7,252,011
<b>Total shareholders funds</b>		<b>12,116,044</b>	10,700,878

No profit and loss account is presented for KIRLY Limited, as permitted by section 408 of the Companies Act 2006. The parent company's profit after tax for the financial year was £1,415,166 (2016: £368,081).

Approved by the Board on 26 September 2018 and signed on its behalf by:

M W Johnson

Company Registration No. 01151522

**KIRLY LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
AS AT 31 DECEMBER 2017**

Note	Called up share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Retained earnings £	Non- Controlling Interest £	Total £
At 1 January 2016	1,295	1,030,834	2,311,912	170,119	6,649,361	-	10,163,521
Profit for the financial year	-	-	-	-	2,245,443	-	2,245,443
Movement in reserves	-	-	1,583,242	-	(1,583,242)	-	-
Dividends paid	-	-	-	-	(38,861)	-	(38,861)
Non-controlling interests	-	-	-	-	-	936,588	936,588
Proceeds from the issue of shares	20	16,681	-	-	-	-	16,701
<b>At 31 December 2016</b>	<b>1,315</b>	<b>1,047,515</b>	<b>3,895,154</b>	<b>170,119</b>	<b>7,272,701</b>	<b>936,588</b>	<b>13,323,392</b>
At 1 January 2017	1,315	1,047,515	3,895,154	170,119	7,272,701	936,588	<b>13,323,392</b>
Profit for the financial year	-	-	-	-	1,721,639	-	<b>1,721,639</b>
Movement in reserves	-	-	(395,519)	-	395,519	-	-
Dividends paid	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	-	(1,132,024)	<b>(1,132,024)</b>
Proceeds from the issue of shares	-	-	-	-	-	-	-
<b>At 31 December 2017</b>	<b>1,315</b>	<b>1,047,515</b>	<b>3,499,635</b>	<b>170,119</b>	<b>9,389,859</b>	<b>(195,436)</b>	<b>13,913,007</b>

**KIRLY LIMITED****COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
AS AT 31 DECEMBER 2017**

	Note	Called up share capital £	Share premium account £	Revaluation reserve	Capital redemption reserve	Retained earnings £	Total £
At 1 January 2016		1,295	1,030,834	2,311,912	170,119	6,800,876	10,315,036
Profit for the financial year		-	-	-	-	408,002	408,002
Other comprehensive income		-	-	-	-	-	-
Transfer from profit and loss account		-	-	(81,994)	-	81,994	-
Dividends		-	-	-	-	(38,861)	(38,861)
Proceeds from the issue of shares		20	16,681	-	-	-	16,701
<b>At 31 December 2016</b>		<b>1,315</b>	<b>1,047,515</b>	<b>2,229,918</b>	<b>170,119</b>	<b>7,252,011</b>	<b>10,700,878</b>
At 1 January 2017		1,315	1,047,515	2,229,918	170,119	7,252,011	10,700,878
Profit for the financial year		-	-	-	-	1,415,166	1,415,166
Other comprehensive income		-	-	-	-	-	-
Transfer from profit and loss account		-	-	538,265	-	(538,265)	-
Dividends		-	-	-	-	-	-
Proceeds from the issue of shares		-	-	-	-	-	-
<b>At 31 December 2017</b>		<b>1,315</b>	<b>1,047,515</b>	<b>2,768,183</b>	<b>170,119</b>	<b>8,128,912</b>	<b>12,116,044</b>

# KIRLY LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £	2016 £
<b>Cash outflow from operating activities</b>	27	(134,514)	(51,965)
Interest received		73,191	124,074
Interest paid		(43,572)	(38,296)
UK corporation tax paid		(288,901)	(72,257)
Foreign tax paid		(1,261)	(125)
<b>Net cash outflow from operating activities</b>		<b>(395,057)</b>	<b>(38,569)</b>
<b>Cash inflow from investing activities</b>			
Purchase of syndicate participation rights		-	-
Proceeds from sale of syndicate participation rights		20,045	925
Purchase of investments		(16,029)	(2,390)
Proceeds from sale of investments		3,005	362,746
Purchase of goodwill		-	-
Purchase of current asset investments		(361,064)	(101,102)
Cash acquired on investment		961,835	203,528
Dividends received		452,606	366,924
Dividends paid		-	(38,861)
<b>Net cash inflow from investing activities</b>		<b>1,060,398</b>	<b>791,770</b>
<b>Cash inflow/(outflow) from financing</b>			
Funds lent to/(withdrawn from) the company by the company's shareholders		229,873	(193,053)
Repayment of borrowings		-	(145,763)
<b>Net cash inflow/(outflow) from financing</b>		<b>229,873</b>	<b>(338,816)</b>
<b>Increase in cash</b>		<b>895,214</b>	<b>414,385</b>
Net funds at 1 January		759,328	344,943
Increase in cash in the year		895,214	414,385
<b>Net funds at 31 December</b>		<b>1,654,542</b>	<b>759,328</b>

The Company has no control over the disposition of assets and liabilities at Lloyd's. Consequently, the Cash Flow Statement is prepared reflecting only the movement in corporate funds, which includes transfers to and from the Syndicates at Lloyd's.



# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

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### 1 General Information

The Company is a private company limited by shares that was incorporated in England and Wales and whose registered office and number is given on page one of these financial statements. The principal activity of the Company is that of consultancy and holding investments in group and other undertakings.

### 2 Accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Companies Act 2006 and Regulation 6 of Schedule 3 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, relating to insurance.

The directors do not consider the Company to be a financial institution under FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statement are rounded to the nearest £.

#### 2.2 Basis of consolidation

The amounts shown in the column to the balance sheet headed 'corporate' consolidate the accounts of KIRLY Limited and its subsidiary undertakings. The amounts shown in the column to the balance sheet headed 'total' consolidate the accounts of KIRLY Limited and its subsidiary undertakings and a pro rata share of the assets and liabilities of the syndicates on which they participate.

No profit and loss account is presented for KIRLY Limited, as permitted by section 408 of the Companies Act 2006. The parent company's profit after tax for the financial year was £1,415,166 (2016: £368,081).

#### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

#### Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the group (its subsidiaries). Control is achieved where the group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2017

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### **Investment in associates**

Investments in associates are recognised initially in the consolidated statement of financial position at the transaction price and subsequently adjusted to reflect fair value through the profit and loss account. Fair value of investments is calculated by reference first to recent trades and then via NAV or PER values.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition, although treated as goodwill, is presented as part of the investment in the associate. Amortisation is charged so as to allocate the cost of goodwill over its estimated useful life, using the straight-line method. Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

Investments in associates are accounted for fair value through profit and loss in the individual financial statements.

### **2.3 Basis of accounting**

The Financial Statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain financial instruments held at fair value, through the income statement.

The technical account has been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums net of re-insurance. Amounts reported in the technical account relate to movements in the period in respect of all relevant years of account of the Syndicates on which the company participates.

Accounting information in respect of the Syndicate participations has been provided by the Syndicate managing agents through an information exchange facility operated by Lloyd's and has been reported on by the Syndicate auditors.

Assets and liabilities arising as a result of the underwriting activities are mainly controlled by the Syndicates' managing agents and are shown separately on the Balance Sheet as "Syndicate Assets" and "Syndicate Liabilities". The assets are held subject to trust deeds for the benefit of the Syndicates' insurance creditors.

In continuing to apply the going concern basis to this Group's Financial Statements the following factors have been taken into account: the likely timing of any underwriting and non-underwriting cash flows, any Funds at Lloyd's supporting the Group's underwriting and not reflected in the Group's Statement of Financial Position and the continued support of the Directors and Shareholders including the potential deferral of balances due to them.

### **General business**

#### **i Premiums**

Gross premiums are accounted for in the period in which the risk commences, together with adjustments to premiums written in previous accounting periods. Future premiums relating to risks commencing in the period are based upon estimates made by the Syndicates' management. Other adjustments are accounted for as arising.

#### **ii Unearned premiums**

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis having regard where appropriate, to the incidence of risk. The specific basis adopted by each Syndicate is determined by the relevant managing agent.

#### **iii Deferred acquisition costs**

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

#### **iv Reinsurance premiums**

Reinsurance premium costs are allocated by the Managing Agent of each Syndicate to reflect the protection arranged in respect of the business written and earned.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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### v Claims

Provision is made for the estimated cost of claims outstanding at the end of the year, including those incurred but not reported at that date, and for the related cost of settlement. Claims incurred comprise amounts paid or provided in respect of claims occurring during the current year, together with the amount by which settlement or reassessment of claims from previous years differs from the provision at the beginning of the year.

The claims provision determined by the managing agent will have been based on information that was currently available at the time. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided and will be reflected in the financial statements for the period in which the adjustment is made.

### vi Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported at that date, and an estimate of future claims handling costs.

Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The company has included its share of the reinsurance to close premiums payable as technical provisions at the end of the current period, and no further provision is made for any potential variation in the ultimate liability of that year of account.

### vii Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

### viii Investments and allocated investment income

In accordance with Lloyd's current accounting practice, investments are stated at market value, including accrued interest at the Balance Sheet date. Investment income is included in the General Business Technical Account reflecting that earned on the investment portfolio managed by the Syndicates. The allocated investment income therefore comprises income received and investment profits and losses arising in the calendar year including appreciation/depreciation and accrued interest consequent upon the revaluation of investments at 31 December. All gains and losses on investments are treated as realised at the Balance Sheet date.

### ix Financial assets and financial liabilities

The syndicates' investments comprise of debt and equity investments, derivatives, cash and cash equivalents and loans and receivables.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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### ix Financial assets and financial liabilities (continued)

Debtors/creditors arising from insurance/reinsurance operations shown in the Statement of Financial Position include the totals of all the syndicate's outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and each of their counterparty insureds, reinsurers or intermediaries as appropriate.

#### Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the syndicate after deducting all of its liabilities.

#### Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction cost), except for those financial assets classified as at fair value through the income statement, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Other debt instruments are measured at fair value through the income statement.

#### Derecognition of financial assets and liabilities

Financial assets are derecognised when and only when a) the contractual rights of the cash flow from the financial asset expire or are settled, b) the syndicates transfer to another party substantially all of the risks and rewards of ownership of the financial asset or c) the syndicates, despite having retained some significant risks and rewards of ownership, have transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicates estimate the fair value by using a valuation technique.

#### Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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### ix **Financial assets and financial liabilities (continued)**

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

### x **Basis of currency translation**

Syndicates maintain separate funds in Sterling, United States and Canadian dollars, and may also do so in certain other currencies. All transactions where separate currencies are maintained are translated into Sterling at the rates of exchange ruling at the financial reporting date. Transactions during the period in other overseas currencies are expressed in Sterling at the rates ruling at the transaction date.

Monetary assets and liabilities, which according to FRS 103 are deemed to include unearned premiums and deferred acquisition costs, are translated into Sterling at the rates of exchange at the financial reporting date.

Any non-monetary items are translated into the functional currency using the rate of exchange prevailing at the time of the transaction. Insurance assets and liabilities (unearned premiums and deferred acquisition costs) have now been translated at period end to the functional currency at the closing rate.

### xi **Debtors/creditors arising from insurance/reinsurance operations**

The amounts shown in the Statement of Financial Position include the totals of all the Syndicates outstanding debit and credit transactions. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicates and each of their counterparty insurers, reinsurers or intermediaries as appropriate.

### xii **Distribution of profits and collection of losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the Syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

## 2.4 **Reinsurance at corporate level**

Where considered applicable by the Directors, the company may purchase additional reinsurance to that purchased through the syndicates. Any such reinsurance premiums and related reinsurance recoveries are treated in the same manner as described for syndicates in Note 2.1 (iv) and (v).

## 2.5 **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

The group is taxed on its results including its share of underwriting results declared by the syndicates and these are deemed to accrue over the calendar year in which they are declared. The syndicate results included in these financial statements are only declared for tax purposes in the calendar year following the normal closure of the year of account. No provision is made for corporation tax in relation to open years of account. However, full provision is made for deferred tax on underwriting results not subject to current corporation tax.

HM Revenue & Customs agrees the taxable results of the syndicates at a syndicate level on the basis of computations submitted by the managing agent. At the date of the approval of these financial statements the syndicate taxable results of years of account closed at this and previous year ends may not be fully agreed with HM Revenue & Customs. Any adjustments that may be necessary to the tax provisions established by the Company, as a result of HM Revenue & Customs agreement of syndicate results, will be reflected in the financial statements of subsequent periods.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

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### 2.6 Deferred Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the financial reporting date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities have not been discounted.

### 2.7 Intangible assets

Costs incurred by the Company in the Corporation of Lloyd's auctions in order to acquire rights to participate on Syndicates' underwriting years are included within intangible assets and amortised over a 3 year period beginning with the respective year of Syndicate participation. The intangible assets are reviewed for impairment where there are indicators for impairment and any impairment is charged to the income statement for the period.

### 2.8 Investments

Investments held directly by the company, by trustees of the Premium Trust Fund, or as the Lloyd's Deposit, are stated at fair value.

### 2.9 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and cash in hand.

### 2.10 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Rental income is recognised in respect of the period to which it relates.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

### 2.11 Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment	10% / 25% / 33.33% straight line
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Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, FRS 102 section 16 "Investment Properties", it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the directors compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

### 2.12 Going Concern

At the time of approving the account the directors have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 2.13 Stocks

Property held for development is stated at the lower of direct cost and net realisable value. Direct costs include acquisition fees and taxes, contractors' costs, associated professional charges and other attributable overheads. Net realisable value is assessed by estimating selling prices and further costs to completion, including sales and marketing expenses.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

### 3 Key accounting judgements and estimation uncertainties

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these financial statements in relation to underwriting by the syndicates and this is disclosed further in Note 4.

The management and control of each Syndicate is carried out by the managing agent of that Syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each Syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the Company only, and do not include estimates and judgements made in respect of the Syndicates.

#### i Purchased syndicate capacity

Estimating value in use:

Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Determining the useful life of purchased syndicate capacity:

The assessed useful life of syndicate capacity is 3 years. This is on the basis that this is the life over which the original value of the capacity is used up.

#### ii Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the Directors consider both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

#### iii Recoverability of debtors

The Company establishes a provision for debtors that are estimated not to be recoverable. When assessing recoverability, factors such as the ageing of the debtors, past experience of recoverability, and the credit profile of individual groups of customers are all considered.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 4 Risk management

This section summarises the financial and insurance risks the Company and group is exposed to either directly at its own corporate level or indirectly via its participation in the Lloyd's syndicates.

#### **Risk background**

The syndicate's activities expose it to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. Each year, the managing agent prepares a Lloyd's Capital Return ("LCR") for the syndicate, the purpose of this being to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business, and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR, and, typically, the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risks arise from the risk that the reinsurer fails to meet their share of a claim. The management of the syndicate's funds is exposed to risks of investments, liquidity, currency and interest rates leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's provides additional controls over the syndicate's management of risks.

The group manages the risks faced by the syndicates on which it participates by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts together with any other information made available by the managing agent are monitored and if necessary enquired into. If the group considers that the risks being run by the syndicate are excessive it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate, will withdraw from the next underwriting year. The group relies on advice provided by the members' agent which acts for it, who are specialists in assessing the performance and risk profiles of syndicates. The group also mitigates its risks by participating across several syndicates.

The Directors do not consider any members of the group to be a financial institution under FRS 102, on the basis that the group itself does not undertake the business of effecting or carrying out insurance contracts. Therefore there is no requirement to discuss financial risks arising from syndicate investment activities. The analysis below provides details of the financial risks the group is exposed to from syndicate insurance activities as required by FRS 103.

#### **Syndicate risks**

##### **i Liquidity risk**

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligations when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").



# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

### ii Credit risk

Credit ratings to syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, which are neither past due nor impaired are as follows:

	AAA	AA	A	BBB or lower	Not rated	Total
	£	£	£	£	£	£
<b>2017</b>						
Deposits with ceding undertakings	-	-	-	-	380	<b>380</b>
Reinsurers share of claims outstanding	14,038	286,048	1,133,151	10,628	106,164	<b>1,550,029</b>
Reinsurance debtors	-	3,167	15,129	126	11,548	<b>29,970</b>
Insurance debtors	-	-	-	-	1,197,562	<b>1,197,562</b>
<b>Total</b>	<b>14,038</b>	<b>289,215</b>	<b>1,148,280</b>	<b>10,754</b>	<b>1,315,654</b>	<b>2,777,941</b>
<b>2016</b>						
Deposits with ceding undertakings	-	-	-	-	363	363
Reinsurers share of claims outstanding	34,600	173,076	683,370	4,523	38,981	934,550
Reinsurance debtors	6,604	16,368	11,557	673	2,091	37,293
Insurance debtors	-	-	-	-	708,710	708,710
<b>Total</b>	<b>41,204</b>	<b>189,444</b>	<b>694,927</b>	<b>5,196</b>	<b>750,145</b>	<b>1,680,916</b>

Syndicate assets emerging directly from insurance activities, excluding cash at bank and financial investments, past their due date or impaired are as follows:

	Less than 3 months	Between 3 and 6 months	Between 6 months and 1 year	Greater than 1 year	Impaired	Total past due or impaired
	£	£	£	£	£	£
<b>2017</b>						
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-	(613)	<b>(613)</b>
Reinsurance debtors	65,794	4,732	1,861	1,838	(35)	<b>74,190</b>
Insurance debtors	48,278	18,518	14,196	23,081	(713)	<b>103,360</b>
<b>Total</b>	<b>114,072</b>	<b>23,250</b>	<b>16,057</b>	<b>24,919</b>	<b>(1,361)</b>	<b>176,937</b>
<b>2016</b>						
Deposits with ceding undertakings	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	-	-	-	-
Reinsurance debtors	19,723	936	356	178	43,354	64,547
Insurance debtors	37,096	9,553	17,422	27,539	(872)	90,738
<b>Total</b>	<b>56,819</b>	<b>10,489</b>	<b>17,778</b>	<b>27,717</b>	<b>42,482</b>	<b>155,285</b>

### iii Interest rate and equity price risk

Interest rate risk and equity price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices respectively.

# KIRLY LIMITED

## NOTES TO THE ACCOUNTS - ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### iv Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The tables below provides details of syndicate assets and liabilities by currency:

	GBP £ converted	USD £ converted	EUR £ converted	CAD £ converted	Other £ converted	Total £ converted
<b>2017</b>						
Total assets	1,474,203	5,214,811	425,488	552,195	288,575	<b>7,955,272</b>
Total liabilities	(2,164,575)	(5,185,060)	(414,236)	(357,649)	(223,056)	<b>(8,344,576)</b>
Surplus/(deficiency) of assets	(690,372)	29,751	11,252	194,546	65,519	<b>(389,304)</b>
<b>2016</b>						
Total assets	1,588,492	5,188,734	410,523	494,644	206,306	7,888,699
Total liabilities	(2,086,638)	(4,506,953)	(351,639)	(393,652)	(151,653)	(7,490,535)
Surplus/(deficiency) of assets	(498,146)	681,781	58,884	100,992	54,653	398,164

### Company and group risks

#### i Investment, credit, liquidity and currency risks

The significant risks faced by the group are with regard to the investment of the available funds within its own custody. The elements of these risks are investment risk, credit risk, liquidity risk, currency risk and interest rate risk. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the group to meet the claim. In order to minimise investment, credit and liquidity risk the group's funds are invested in readily realisable short term deposits. The syndicates can distribute their results in Pound Sterling, US Dollars or a combination of the two. The group is exposed to movements in the US Dollar between the Statement of Financial Position date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of the year of account. The group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

#### ii Regulatory risks

The subsidiaries are subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting the group is able to support.

#### iii Operational risks

As there are relatively few transactions actually undertaken by the group there are only limited systems and operational requirements of the group and therefore operational risks are not considered to be significant. Close involvement of all Directors in the group's key decision making and the fact that the majority of the group's operations are conducted by syndicates, provides control over any remaining operational risks.

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5 Class of business	Gross written premiums £	Gross premiums earned £	Gross claims incurred £	Operating expenses £	Reinsurance balance £
<b>2017</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Direct</b>					
Accident and health	100,946	105,914	(60,046)	(47,540)	(920)
Motor - third party liability	19,936	22,687	(17,562)	(5,260)	(94)
Motor - other classes	349,129	360,958	(284,101)	(105,965)	7,226
Marine, aviation and transport	405,679	418,362	(321,955)	(159,252)	1,421
Fire and other damage to property	834,876	845,300	(877,242)	(301,373)	147,027
Third party liability	514,428	495,535	(339,513)	(188,342)	4,055
Credit and suretyship	109,277	86,370	(53,041)	(38,047)	(2,884)
Other	14,107	13,946	(610)	(5,503)	(2,002)
<b>Total direct</b>	<b>2,348,378</b>	<b>2,349,072</b>	<b>(1,954,070)</b>	<b>(851,282)</b>	<b>153,829</b>
<b>Reinsurance business</b>					
Reinsurance balance	1,157,368	1,249,103	(1,152,404)	(359,369)	41,589
<b>Total</b>	<b>3,505,746</b>	<b>3,598,175</b>	<b>(3,106,474)</b>	<b>(1,210,651)</b>	<b>195,418</b>
<b>2016</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Direct</b>					
Accident and health	60,559	104,835	(52,892)	(47,905)	(2,367)
Motor - third party liability	34,185	39,537	53,041	(13,319)	(25,472)
Motor - other classes	345,517	329,170	(356,664)	(101,658)	76,295
Marine, aviation and transport	394,508	368,000	(237,144)	(141,287)	(19,656)
Fire and other damage to property	808,445	794,445	(398,791)	(270,742)	(98,364)
Third party liability	428,687	388,377	(229,180)	(141,407)	(18,385)
Credit and suretyship	67,630	50,803	(26,627)	(23,161)	(4,329)
Other	14,492	16,155	(9,237)	(5,711)	(208)
<b>Total direct</b>	<b>2,154,023</b>	<b>2,091,322</b>	<b>(1,257,494)</b>	<b>(745,190)</b>	<b>(92,486)</b>
<b>Reinsurance business</b>					
Reinsurance balance	1,328,486	1,331,129	(579,943)	(393,862)	(189,790)
<b>Total</b>	<b>3,482,509</b>	<b>3,422,451</b>	<b>(1,837,437)</b>	<b>(1,139,052)</b>	<b>(282,276)</b>

Any open year loss provisions, stop loss premiums and stop loss recoveries have been allocated across the classes of business by reference to the gross premiums written.

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 6 Geographical analysis

	2017	2016
	£	£
Direct gross premiums written in:		
United Kingdom	2,347,185	2,148,380
Other EU member states	132	1,869
The rest of the world	1,061	3,774
<b>Total</b>	<b>2,348,378</b>	<b>2,154,023</b>

### 7 Technical provisions

#### Movement in claims outstanding

			2017				2016	
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance
	£	£	£	£	£	£	£	£
At 1 January	(4,661,292)	551,103	(4,110,189)	(3,950,809)	494,763	(3,456,046)		
Movement in technical account	(1,246,097)	648,244	(597,853)	(257,037)	74,338	(182,699)		
Other movements	283,489	(259,912)	23,577	(453,446)	(17,998)	(471,444)		
<b>At 31 December</b>	<b>(5,623,900)</b>	<b>939,435</b>	<b>(4,684,465)</b>	<b>(4,661,292)</b>	<b>551,103</b>	<b>(4,110,189)</b>		

#### Movement in unearned premiums

			2017				2016	
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance
	£	£	£	£	£	£	£	£
At 1 January	(1,777,853)	227,400	(1,550,453)	(1,493,871)	190,937	(1,302,934)		
Movement in technical account	92,429	8,691	101,120	(60,058)	667	(59,391)		
Other movements	115,875	(22,024)	93,851	(223,924)	35,796	(188,128)		
<b>At 31 December</b>	<b>(1,569,549)</b>	<b>214,067</b>	<b>(1,355,482)</b>	<b>(1,777,853)</b>	<b>227,400</b>	<b>(1,550,453)</b>		

#### Movement in deferred acquisition costs

	2017		2016	
	Net		Net	
	£		£	
At 1 January	511,194		431,419	
Movement in deferred acquisition costs	(23,539)		12,151	
Other movements	(23,297)		67,624	
<b>At 31 December</b>	<b>464,358</b>		<b>511,194</b>	

Included within other movements are foreign exchange movements in restating the opening balances and the effect of prior years' technical provisions being reinsured to close, to the extent where the group's syndicate participation portfolio has changed between those two years of account.

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 7 Technical provisions (continued)

#### Assumptions, changes in assumptions and sensitivity

The majority of the risks to the group's future cash flows arise from its participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The group's role in managing these risks, in conjunction with the group's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the group arising from insurance contracts are calculated by the managing agents of the syndicates and derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

The key assumptions underlying the amounts carried by the group arising from insurance contracts are:

- i The net premiums written calculated by the managing agent are an accurate assessment of the premiums payable as a result of the risks contractually committed to up to the financial reporting date.
- ii The net unearned premiums calculated by the managing agent are an accurate assessment of the net premiums written that reflect the exposure to risks arising after the financial reporting date, including appropriate allowance for anticipated losses in excess of the unearned premium.
- iii The claims reserves calculated by the managing agents are an accurate assessment of the ultimate liabilities in respect of claims relating to events up to the financial reporting date.
- iv The potential ultimate result of run-off year results has been accurately estimated by the managing agents.
- v The values of investments and other assets and liabilities are correctly stated at their realisable values at the financial reporting date.

There have been no changes to these assumptions in 2017.

The amounts carried by the group arising from insurance contracts are sensitive to various factors as follows:

- i A 5% increase/decrease in net earned premium (with claims incurred assumed to change pro-rata with premium) will increase/decrease the group's pre-tax profit/loss by £34,356 (2016: £65,137).
- ii A 5% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the group's pre-tax profit/loss by £281,195 (2016: £233,065).
- iii A 5% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the group's pre-tax profit/loss by £234,223 (2016: £205,509).

Claims development - gross	At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year					
2017	1,799,707	-	-	-	-
2016	1,037,030	2,245,163	-	-	-
2015	968,086	1,801,143	1,897,501	-	-
2014	861,864	1,536,295	1,609,920	1,598,813	-

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 7 Technical provisions (continued)

Claims development - net	At end of underwriting year £	After 12 months £	After 24 months £	After 36 months £	Profit/loss on RITC received £
Underwriting pure year					
2017	1,227,805	-	-	-	-
2016	881,560	1,815,488	-	-	-
2015	839,701	1,564,351	1,596,210	-	-
2014	741,526	1,311,220	1,367,356	1,355,702	-

### 8 Investment return

The following return on investments relate to investments held at fair value.

	2017 £	2016 £
Investment income	70,522	65,450
Realised gain/(loss) on investments	2,215	(8,302)
Allocated investment income - technical account	72,737	57,148
Investment income from dividends	452,606	367,057
Investment income from interest receivable	73,191	127,046
Realised gain on investments	1,255	61,966
Unrealised gain on investments	1,458,515	1,592,529
Investment income - non-technical account	1,985,567	2,148,598
Investment expenses and charges - technical account	(4,984)	(3,297)
Total investment return	2,053,320	2,202,449

### 9 Net operating expenses

	2017 £	2016 £
Acquisition costs	946,890	704,272
Administrative expenses	269,539	520,062
Profit on exchange	(5,778)	(85,282)
Total	1,210,651	1,139,052

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 10 Other income

	2017 £	2016 £
Profit on sale of syndicate participation rights	11,782	535
Rental Income	259,845	65,747
Consultancy services	18,214	17,021
Other	493,171	(3,907)
<b>Total</b>	<b>783,012</b>	<b>79,396</b>

### 11 Profit on ordinary activities before taxation

	2017 £	2016 £
This is stated after charging:		
Auditor's remuneration - audit (see note 12)	14,227	11,720
Auditor's remuneration - other (see note 12)	6,400	3,147
Director's remuneration	11,167	10,000
Employer's National Insurance contributions	-	-
Employer's pension contributions	-	-
Wages and salaries	15,918	15,042
Amortisation of syndicate capacity	61,644	22,818
Depreciation	6,499	-

The average number of persons, including directors, employed during the year was 5 (2016: 5).

### 12 Auditor's remuneration

The remuneration of the auditors or its associates is further analysed as follows:

	2017 £	2016 £
Audit of the financial statements	8,500	9,020
Audit of subsidiaries	5,727	2,700
<b>Total audit</b>	<b>14,227</b>	<b>11,720</b>

	2017 £	2016 £
Audit related services	-	-
Other assurance services	-	-
Taxation compliance services	1,120	1,120
All taxation advisory services	-	-
Corporation finance services	-	-
Other non-audit services	5,280	2,027
	<b>6,400</b>	<b>3,147</b>

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

13 Group intangible assets	Syndicate Participation	Negative goodwill from business combinations	Goodwill from business combinations	Total
	Rights £		£	£
<b>Cost</b>				
At 1 January 2017	410,817	(47,089)	48,511	412,239
Additions	-	-	295,939	295,939
Disposals	-	-	-	-
At 31 December 2017	<b>410,817</b>	<b>(47,089)</b>	<b>344,450</b>	<b>708,178</b>
<b>Amortisation</b>				
At 1 January 2017	307,655	(47,089)	35,599	296,165
Charge for the year	63,712	-	40,810	104,522
Negative goodwill written off	-	-	-	-
Impairment losses	-	-	-	-
Disposals	-	-	-	-
At 31 December 2017	<b>371,367</b>	<b>(47,089)</b>	<b>76,409</b>	<b>400,687</b>
<b>Net book value</b>				
At 31 December 2017	<b>39,450</b>	-	<b>268,041</b>	<b>307,491</b>
At 31 December 2016	103,162	-	12,912	116,074

14 Group tangible fixed assets	Freehold property £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>			
At 1 January 2017	-	24,511	24,511
Additions	769,559	74,786	844,345
Disposals	-	-	-
At 31 December 2017	<b>769,559</b>	<b>99,297</b>	<b>868,856</b>
<b>Depreciation and impairment</b>			
At 1 January 2017	-	24,511	24,511
Charge for the year	149,559	6,499	6,499
Disposals	-	-	-
At 31 December 2017	<b>149,559</b>	<b>31,010</b>	<b>180,569</b>
<b>Net book value</b>			
At 31 December 2017	<b>620,000</b>	<b>68,287</b>	<b>688,287</b>
At 31 December 2016	-	-	-

### Company tangible fixed assets

Tangible fixed assets for the company comprise fixtures, fittings and equipment with cost £24,511 (2016: £24,511) and accumulated depreciation £24,511 (2016: £24,511) as at 31 December 2017. The carrying value of tangible fixed assets in the parent company is £Nil (2016: £Nil).



## KIRLY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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#### 15 Group Investment Properties

	Investment properties £	Total £
<b>Fair Value</b>		
At 1 January 2017	3,536,000	3,536,000
Fair value adjustments	1,054,000	1,054,000
Reclassification to stock	(4,590,000)	-
At 31 December 2017	-	-
<b>Net book value</b>		
At 31 December 2017	-	-
At 31 December 2016	<b>3,536,000</b>	<b>3,536,000</b>

During the year investment properties were reclassified to stock as they are now held by the group for development.

#### Company Investment Properties

	Investment properties £	Total £
<b>Fair Value</b>		
At 1 January 2017	675,000	675,000
Additions	-	-
Disposals	(675,000)	(675,000)
At 31 December 2017	-	-
<b>Net book value</b>		
At 31 December 2017	-	-
At 31 December 2016	<b>675,000</b>	<b>675,000</b>

The investment property Bolton Warehouse, 23 Tenison Road, Cambridge, CB1 2DG was disposed during the year to Paddock St Holdings Ltd, a wholly-owned subsidiary of Kirly Ltd.

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

### 16 Investments

#### Financial investments

#### The group

#### At market value

		£	Syndicate £	Corporate £	Total £
<b>2017</b>					
Shares and other variable yield securities	- level 1	179,905			
	- level 2	584,147			
	- level 3	<u>3,405</u>	767,457	2,207,079	<b>2,974,536</b>
Debt securities and other fixed income securities	- level 1	744,998			
	- level 2	956,914			
	- level 3	<u>-</u>	1,701,912	1,217,449	<b>2,919,361</b>
Participation in investment pools	- level 1	33,537			
	- level 2	63,083			
	- level 3	<u>21,381</u>	118,001	-	<b>118,001</b>
Loans guaranteed by mortgage	- level 1	31,179			
	- level 2	3,912			
	- level 3	<u>(31,182)</u>	3,909	-	<b>3,909</b>
Other loans	- level 1	4,287			
	- level 2	947			
	- level 3	<u>41,121</u>	46,355	-	<b>46,355</b>
<b>Total</b>			<b>2,637,634</b>	<b>3,424,528</b>	<b>6,062,162</b>
<b>2016</b>					
Shares and other variable yield securities	- level 1	221,333			
	- level 2	586,073			
	- level 3	<u>195</u>	807,601	1,628,076	<b>2,435,677</b>
Debt securities and other fixed income securities	- level 1	821,530			
	- level 2	1,067,252			
	- level 3	<u>-</u>	1,888,782	999,703	<b>2,888,485</b>
Participation in investment pools	- level 1	28,211			
	- level 2	37,758			
	- level 3	<u>27,147</u>	93,116	-	<b>93,116</b>
Loans guaranteed by mortgage	- level 1	2,677			
	- level 2	2,126			
	- level 3	<u>-</u>	4,803	-	<b>4,803</b>
Other loans	- level 1	28,137			
	- level 2	19,964			
	- level 3	<u>221</u>	48,322	-	<b>48,322</b>
<b>Total</b>			<b>2,842,624</b>	<b>2,627,779</b>	<b>5,470,403</b>

The corporate investments held include £1,750,893 (2016: £1,643,613) at market value in respect of Lloyd's deposits that are held in accordance with the constraints detailed in note 32.

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 16 Investments (continued)

#### The group (continued)

The group uses the following hierarchy for determining and disclosing the fair value of financial investments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets

Level 2: prices based on recent transactions in identical assets

Level 3: prices determined using a valuation technique

None of the above investments are valued at amortised cost.

<i>At cost</i>	<b>Syndicate</b>	<b>Corporate</b>	<b>2017</b>	<b>2016</b>
	£	£	Total	Total
			£	£
Shares and other variable yield securities	746,094	1,809,361	<b>2,555,455</b>	2,147,200
Debt securities and other fixed income securities	1,707,479	932,868	<b>2,640,347</b>	2,579,565
Participation in investment pools	110,940	-	<b>110,940</b>	79,605
Loans guaranteed by mortgage	4,106	-	<b>4,106</b>	4,812
Other	54,012	-	<b>54,012</b>	51,232
<b>Total</b>	<b>2,622,631</b>	<b>2,742,229</b>	<b>5,364,860</b>	<b>4,862,414</b>

#### The Company

<i>At cost</i>	<b>2017</b>	<b>2016</b>
	Total	Total
	£	£
At 1 January	<b>2,144,050</b>	2,485,734
Additions	<b>361,064</b>	101,202
Disposals	-	(442,886)
Reclassification to associate	-	-
<b>Total</b>	<b>2,505,114</b>	<b>2,144,050</b>

<i>At market value</i>	<b>2017</b>	<b>2016</b>
	Total	Total
	£	£
At 1 January	<b>2,381,732</b>	2,597,657
Additions	<b>361,064</b>	101,102
Disposals	-	(318,603)
Reclassification to associate	-	-
Fair value adjustment	<b>393,312</b>	1,576
<b>At 31 December</b>	<b>3,136,108</b>	<b>2,381,732</b>

The company held listed current asset investments included above with market values totalling £2,599,805 (2016: £1,901,646).

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 17 Fixed Asset Investments

Company fixed asset investments	2017 £	2016 £
Investment in subsidiaries	4,722,059	3,569,850
Investment in associates	4,552,641	4,494,086
	<b>9,274,700</b>	<b>8,063,936</b>

#### The company fixed asset investments at cost

Cost	Investments in subsidiaries £
At 1 January 2017	3,569,850
Additions	1,152,209
Disposals	-
At 31 December 2017	4,722,059
<b>Net book value</b>	
At 31 December 2017	4,722,059
At 31 December 2016	3,569,850

#### The company and the group fixed asset investment at fair value dealt with through profit and loss:

Valuation	Investments in associates £
At 1 January 2017	4,494,086
Addition at cost	-
Reclassification of investment	(190,682)
Fair value movement in year	249,237
At 31 December 2017	4,552,641
<b>Net book value</b>	
At 31 December 2017	4,552,641
At 31 December 2016	4,494,086

The historic cost of investments in associates at 31 December 2017 is £2,415,457 (2016: £2,491,915).

#### Investments in associates

At 31 December 2017 the group and the company had interests in the following associates

Associate	Type of shares held	Proportion held (%)	Registered Office	Nature of business
Life's Kitchen Limited	Ordinary	22.0%	2a Chequers Court, Huntingdon, Cambridgeshire, PE29 3LJ	Catering
N W Brown Group Limited	Ordinary	26.9%	Richmond House, 16-20 Regent Street, Cambridge, Cambridgeshire, CB2 1DB	Investment Management

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 17 Fixed Asset Investments (continued)

#### Investments in subsidiaries

At 31 December 2017 the group and the company had interests in the following subsidiaries:

Subsidiary	Type of shares held	Proportion held (%)	Registered office	Nature of business
Chariot (II) Underwriting Limited	Ordinary	100%	7 - 9 The Avenue, Eastbourne, East Sussex, BN21 3YA	Corporate member of Lloyds
Maturin Baird (Underwriting) LLP		100%	5th Floor 40 Gracechurch Street, London, England, EC3V 0BT	Corporate member of Lloyds
Paddock St Holdings Limited (formerly Wentworth Country Homes Limited)	Ordinary	100%	Wentworth House, 23 The Causeway, Staines, Middlesex, TW18 3AQ	Property development
Kirly Realisations Limited (formerly Paddock St Holdings Limited)	Ordinary	100%	Flint Buildings, 1 Bedding Lane, Norwich, England, NR3 1RG	Investment company
Bolton's Warehouse Company Limited	Ordinary	100%	11 Luard Road, Cambridge, CB2 8PJ	Dormant
Freedom Insurance Services Ltd	Ordinary	35.1%	Richmond House, 16-20 Regent Street, Cambridge, CB2 1DB	Holiday Insurance Sales

All of the above subsidiaries have been included within the consolidated accounts.

During the year KIRLY Limited acquired an additional 33% shareholding in Kirly Realisations Limited (formerly Paddock St Holdings Limited). Kirly Realisations Limited is now a wholly-owned subsidiary of KIRLY Limited.

During the year KIRLY Limited acquired an additional 14% of the interest in Freedom Insurance Services Ltd. KIRLY Limited was deemed to have gained control over Freedom Insurance Services Ltd during the year on the basis that the company controlled over 50% of the shareholding in aggregate with shares held by the directors of KIRLY Limited, as well as shares the company had an option to purchase under a loan arrangement with directors of Freedom Insurance Services Ltd. The investment has been included in the company's balance sheet at its fair value at the date of acquisition. An analysis of the acquisition is detailed below:

#### Analysis of the acquisition

	Freedom Insurance Services Ltd	Total
Additional Net Assets acquired at fair value	(81,633)	(81,633)
Goodwill on acquisition	295,939	295,939
	214,306	214,306
<b>Consideration</b>	<b>214,306</b>	<b>214,306</b>

#### Disposal

During the year KIRLY Limited disposed of Chariot (I) Underwriting Limited, previously a wholly-owned subsidiary. The value of the investment had previously been written off during prior years. An analysis of the disposal for the group and company is detailed below:

Group and Company	Chariot (I) Underwriting Ltd	Total
Net assets disposed of	-	-
Consideration	-	-
Loss on investment	-	-

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 18 Group debtors arising out of direct insurance and reinsurance operations

	Syndicate £	Corporate £	2017 Total £	2016 Total £
The following amounts are due after one year:				
Direct insurance operations	3,693	-	<b>3,693</b>	5,839
Reinsurance operations	4,184	-	<b>4,184</b>	6,844
<b>Total</b>	<b>7,877</b>	<b>-</b>	<b>7,877</b>	<b>12,683</b>

### 19 Other debtors

#### Amounts falling due within one year

	The company		The group			
	2017 Total £	2016 Total £	Syndicate £	Corporate £	2017 Total £	2016 Total £
Other	<b>1,278,986</b>	3,136,251	897,153	1,350,764	<b>2,247,917</b>	4,064,345
<b>Total</b>	<b>1,278,986</b>	3,136,251	897,153	1,350,764	<b>2,247,917</b>	4,064,345

#### Amounts falling due after one year

	The company		The group			
	2017 Total £	2016 Total £	Syndicate £	Corporate £	2017 Total £	2016 Total £
Other	<b>475,968</b>	500,000	576,851	500,000	<b>1,076,851</b>	1,076,851
<b>Total</b>	<b>475,968</b>	500,000	576,851	500,000	<b>1,076,851</b>	1,076,851

#### Total

	The company		The group			
	2017 Total £	2016 Total £	Syndicate £	Corporate £	2017 Total £	2016 Total £
Other	<b>1,754,954</b>	3,636,251	1,474,004	1,850,764	<b>3,324,768</b>	5,141,196
<b>Total</b>	<b>1,754,954</b>	3,636,251	1,474,004	1,850,764	<b>3,324,768</b>	5,141,196

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 20 Cash at bank

	Syndicate £	Corporate £	2017 Total £	2016 Total £
Lloyd's deposit	151,381	261,988	<b>413,369</b>	357,867
Cash at bank and in hand	192,568	1,392,554	<b>1,585,122</b>	727,127
Total	343,949	1,654,542	<b>1,998,491</b>	1,084,994

Any Lloyd's deposit is held in accordance with the constraints detailed in note 32.

### 21 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
131,475 Ordinary shares of £0.01 each	<b>1,315</b>	1,315

Ordinary shares rank pari passu with equal rights to the distribution of dividends.

### 22 Taxation

	2017 £	2016 £
<i>Analysis of charge in year</i>		
<i>Current tax</i>		
UK Corporation Tax on profits of the year	<b>91,878</b>	43,785
Adjustments in respect of prior years	<b>12,017</b>	-
Foreign tax	<b>1,261</b>	125
Total current tax	<b>105,156</b>	43,910
<i>Analysis of charge in year</i>		
<i>Deferred tax</i>		
Origination and reversal of timing differences	<b>(198,850)</b>	62,401
Changes in tax rates	-	(3,328)
Adjustment to the estimated recoverable amounts of deferred tax assets arising in prior years	-	-
Other items	<b>8,406</b>	-
Total deferred tax	<b>(190,444)</b>	59,073
Tax on profit on ordinary activities	<b>(85,288)</b>	<b>102,983</b>

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 22 Taxation (continued)

#### *Factors affecting tax charge for the year*

The tax assessed for the year is lower (2016 - lower) than the standard rate of Corporation Tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before taxation	1,651,367	2,348,426
Profit on ordinary activities before taxation multiplied by the standard rate of Corporation Tax in the UK of 19.25% (2016 - 20.00%).	317,888	469,685
<i>Effects of:</i>		
Income/expenses not taxable/allowable	(269,144)	(47,113)
Timing differences arising from the taxation of the underwriting results	51,791	73,702
Timing differences arising from the taxation of syndicate participation movements	-	-
Tax losses carried forward/(Utilisation of tax losses)	-	(67,500)
Adjustments to tax charge in respect of prior periods	12,017	-
Timing differences due to fair value adjustments	59,703	59,703
Other adjustments	(257,543)	(385,494)
Total tax charge for the year	(85,288)	102,983

#### *Factors that may affect future tax charges*

The group has trading losses of £169,258 (2016: £Nil) available for carry forward against future trading profits.

	2017 £	2016 £
<i>Provision for deferred tax</i>		
At 1 January	375,280	82,761
(Credit)/Charge to the profit and loss account	(190,444)	59,073
Addition on acquisition of business combination	-	233,446
Released or utilised in the year	-	-
At 31 December	184,836	375,280

During the year the company provided for a deferred tax gain of £34,478 (2016: loss £39,112). The deferred tax provision on the balance sheet at 31 December 2017 was £18,988 (2016: £53,446).

Full provision has been made for all timing differences apart from the recovery of taxation losses against future trading profits, which cannot be prudently anticipated at this time.

The deferred tax asset not provided for in respect of Corporation Tax losses, and deferred tax losses not yet assessable to Corporation Tax, amounted to £51,636 (2016: £Nil).



# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 23 Other creditors

	The company		The group			
	2017 £	2016 £	Syndicate £	Corporate £	2017 £	2016 £
Other creditors	1,764,118	3,666,854	299,389	482,290	781,679	644,726
Hire Purchase	-	-	-	-	-	-
Social security costs	681	180	-	20,341	20,341	180
Corporation tax	-	31,864	-	213,726	213,726	397,471
Shareholders' loan account	232,893	3,020	-	232,893	232,893	3,020
<b>Total</b>	<b>1,997,692</b>	<b>3,701,918</b>	<b>299,389</b>	<b>949,250</b>	<b>1,248,639</b>	<b>1,045,397</b>

The above shareholders' loan has been included in the related party transactions note 33.

### 24 Creditors: falling due after more than one year

	The company		The group			
	2017 £	2016 £	Syndicate £	Corporate £	2017 £	2016 £
Other creditors	300,757	452,757	-	1,185,757	1,185,757	452,757
Hire Purchase (see note 24)	-	-	-	-	-	-
Convertible Loan Stock	346,123	346,123	-	346,123	346,123	346,123
<b>Total</b>	<b>646,880</b>	<b>798,880</b>	<b>-</b>	<b>1,531,880</b>	<b>1,531,880</b>	<b>798,880</b>

Other creditors represent the deferred consideration for the purchase of the shares of Wentworth Country Homes Limited.

#### Convertible Loan Stock

At 31 December 2017 there was £346,123 (2016: £346,123) of convertible loan stock issue. The loan stock is convertible to ordinary share capital at any time with 30 days written notice from the shareholder to the company. During the year ended 31 December 2017 £Nil of loan stock was converted into ordinary share capital (2016: £17,000).

The Stock not previously repaid by the Company will be repaid at par together with accrued interest (less any United Kingdom or other taxation which the Company is required to deduct from it) on the Final Redemption Date of 31 December 2049. The Stock may be redeemed by the Company in whole or in part at any time upon the Company giving 12 months' written notice to the Stockholder. Any Stockholder shall be entitled by 12 months' written notice to the Company to require immediate repayment of the Stock held by him at its nominal value together with all unpaid interest which has then accrued due thereon.

Interest on the Stock is payable at the rate of 9.5% per annum by yearly instalments on 31 December each year. Interest shall accrue daily.

### 25 Obligations under leases and hire purchase contracts

#### Group

	2017 £	2016 £
Amounts payable:		
Within one year	-	-
In two to five years	-	-
	-	-

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 25 Obligations under leases and hire purchase contract (continued)

#### Operating lease agreements where the Group is lessor

The group holds an investment property, as disclosed in note 15, which is let to two tenants. Both tenants will leave on or before (by agreement) February 15th 2019.

Under the terms of the agreement with Bayfield Training Limited three months' notice to end the licence could be given at any time by either party. The terms of the agreement with Ignetics, commencing on 28 March 2011, allowed for break options at the end of the third, fifth and eighth year subject to providing not less than six months prior written notice. A revised agreement with Ignetics was signed in February 2018 which provided for their early departure.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 £	2016 £
Not later than one year	49,100	49,100
After one year but not more than five years	12,275	110,475
	<b>61,375</b>	159,575

### 26 Group financial liabilities

All financial liabilities are measured at amortised cost except for:

	2017 £	2016 £
Amounts due to credit institutions	17,361	-

This liability has been disclosed at fair value using a valuation technique. The group uses the following hierarchy for determining and disclosing the fair value of financial liabilities by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical liabilities
- Level 2: prices based on recent transactions in identical liabilities
- Level 3: prices determined using a valuation technique

### 27 Reconciliation of profit before tax to cash outflow from operating activities

	2017 £	2016 £
Profit before tax	1,736,655	2,348,426
Finance costs	-	38,296
Finance income	(494,103)	(500,803)
Current year result not distributable in year	(392,348)	(237,458)
Prior year result distributable in year	37,403	422,307
Profit on sale of syndicate participation rights	(11,782)	(535)
Decrease in creditors	(1,501,267)	(340,529)
Decrease/(Increase) in debtors	1,881,300	(214,593)
Amortisation and impairment of syndicate participation rights	61,644	25,453
Depreciation of tangible fixed assets	6,499	-
Intercompany loan waived	-	-
Fair value adjustments	(1,458,515)	(1,592,529)
Cash outflow from operating activities	<b>(134,514)</b>	(51,965)

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

### 28 Director's remuneration

	2017 £	2016 £
Remuneration for qualifying services	11,167	10,000

### 29 Employees

#### Number of employees

The average monthly number of employees (including directors) during the year was:

	2017 Number	2016 Number
Total	5	5

#### Employment costs

	2017 £	2016 £
Wages and salaries	15,918	15,042
Social security costs	-	-
	<b>15,918</b>	<b>15,042</b>

### 30 Reserves

#### *Share premium account*

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

#### *Revaluation reserve*

This reserve is used to record the non-distributable increases and decreases in the fair values of financial investments.

#### *Capital redemption reserve*

This reserve records the nominal value of the shares repurchased by the company.

### 31 Controlling party

The directors control the company by virtue of their controlling interest in the issued ordinary share capital.

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 32 Funds at Lloyd's

Cash balances of £261,988 (2016: £201,318) detailed in note 20 and investments of £1,750,893 (2016: £1,643,613) detailed in note 16 are held within the company's Lloyd's deposit. These balances exclude any amounts held via syndicates.

The Lloyd's deposit represents funds deposited with the Corporation of Lloyd's (Lloyd's) to support the company's underwriting activities as described in the accounting policies. The company has entered into a legal agreement with Lloyd's which gives the Corporation the right to apply these funds in settlement of any claims arising from the company's participation on Lloyd's Syndicates. These funds can only be released from the provision of this deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset or after the expiration of the company's liabilities in respect of its underwriting.

In addition to these amounts, the directors and shareholders of the company have also made available to Lloyd's assets amounting to approximately £Nil (2016: £Nil) which are also used by the company to support its Lloyd's underwriting.

### 33 Related party transactions

#### Group

The company has taken advantage of the exemption available in FRS 102.33.1A whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

#### Company

At the end of the year KIRLY Limited owed M W Johnson & M A Johnson £232,893 (2016 - £3,020). M W Johnson & M A Johnson are directors of the company and their loan is interest free and no specific terms for repayment exist.

At the year-end KIRLY Limited was owed £Nil (2016 - £324,438) by Forinvesta UBA. Forinvesta UBA is a wholly owned subsidiary of Varoteks OU, a company owned by M W Johnson, M A Johnson and other parties connected to Mr and Mrs Johnson. The loan was repaid fully during the year.

During the year N W Brown Group Limited provided investment management services to the company. The company has a significant interest in N W Brown Group Limited. No management charges were made for this service.

KIRLY Limited has taken advantage of the exemption conferred by FRS 102.33.1A not to disclose transactions with members of the group headed by KIRLY Limited where 100% of the voting rights in the company are controlled within the group.

# KIRLY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2017

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### 34 Minority Interests

	2017 £	2016 £
At 1 January	936,588	-
Minority interest eliminated on increase of shareholdings	(936,588)	-
Fair value of minority interest on business combinations during year	(150,807)	936,588
Share of subsidiary's profit for the year	15,016	-
Dividends paid to non-controlling interest	(59,645)	-
	<hr/>	<hr/>
At 31 December	(195,436)	936,588

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### 35 Stocks

	Total £
<b>Cost</b>	
At 1 January 2017	-
Reclassification from investment property	4,590,000
Impairments	-
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At 31 December 2017	4,590,000

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Investment properties were reclassified to stock at fair value, as they are now held by the group for development. The expense charged to profit or loss in respect of stock for the year ended 31 December 2017 is £Nil (2016: £Nil)